

Message Text

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LIMITED OFFICIAL USE SECTION 1 OF 2 GENEVA 2009

LIMDIS

FROM STAFFDELS MEISSNER AND FREEMAN

PASS CONGRESSIONAL RELATIONS - SENATORS HUMPHREY AND CASE
AND SFRC STAFF NORVILL JONES AND ROBERT MANTEL

EO 11652: NA
TAGS: OREP (MEISSNER, CHARLES/FREEMAN CONSTANCE)
SUBJ: STAFFDEL MEISSNER/FREEMAN - REPORT ON IDA V MEETING IN VIENNA

SUMMARY: IDA V FAILED TO MEET ITS TARGET BY \$50 MILLION
OF \$7.2 BILLION IN TRADITIONAL DONATIONS AND FELL SHORT
BY \$20 MILLION OF \$500 MILLION EXPECTED FROM THE NON-
TRADITIONAL DONORS. THE U.S. PLEDGED \$2.4 BILLION OVER
THREE YEARS CONTINGENT ON U.S. APPROPRIATIONS. THIS
QUALIFIED PLEDGE ERODES THE AUTHORITY OF THE AUTHORIZING
COMMITTEES OF CONGRESS BY ALLOWING THE APPROPRIATIONS
COMMITTEES TO TERMINATE THE COMMITMENT TO IDA BY NOT
APPROPRIATING MONEY AND SIMULTANEOUSLY CRIPPLES IDA BY
THREATENING THE BASIC PRINCIPLES OF A MULTI-YEAR COMMIT-
MENT AND BURDEN SHARING. THE REACTION OF OTHER COUNTRIES
WAS A SUCCESSFUL EFFORT TO LIMIT U.S. VOTING STRENGTH
IN IDA V. THE U.S. ASKED FOR AND RECEIVED A COMMITMENT
THAT THE IBRD DIRECTORS WILL REVIEW THE COUNTRY ALLO-
CATION OF IDA V FUNDS. THE U.S. DESIRES MORE FUNDS FOR
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EGYPT AND SMALLER AFRICAN NATIONS. IF EFFECTIVE, IT
WILL MEAN FEWER FUNDS FOR INDIA FROM IDA V. OTHER
COUNTRIES SEE THIS U.S. POSITION AS FURTHER POLITICIZING
IDA.

1. THE IDA V REPLENISHMENT MEETING CONCLUDED ON MARCH
15 WITH SELF-CONGRATULATION OF THE PARTICIPANTS ON A

JOB WELL DONE. THE CHEER OF THE FINAL SESSION PAPERS
OVER SOME SEVERE CONCERNS WHICH ARE RECOGNIZED BY ALL
BUT NOT HIGHLIGHTED PUBLICALLY.

2. FIRST, NEITHER THE TRADITIONAL DONOR TARGET OF \$7.2
BILLION NOR THE NON-TRADITIONAL DONOR TARGET OF \$500-800
MILLION WERE REACHED. THE TRADITIONAL DONORS FELL \$50
MILLION SHORT OF THE 7.2 BILLION TARGET. THE U.S.
CONTRIBUTION BEING \$2.4 BILLION OR APPROXIMATELY THIRTY-
THREE AND ONE THIRD PERCENT. THE NETHERLANDS, U.K. AND
IRELAND MADE STATEMENTS THAT THEY WOULD BE WILLING TO
CONSIDER CONTRIBUTING MORE TO FILL THE \$50 GAP PROVIDED
OTHERS WERE ALSO SO INCLINED. THE NON-TRADITIONAL DONORS--
SAUDI ARABIA, UNITED ARAB EMIRATES AND KUWAIT--PLEDGED
\$480 MILLION. THE TOTAL IDA V FIGURE IS \$7637.90 MILLION,
LESS THAN THE \$8 BILLION PROJECTED BY THE OPTIMISTS.

3. SECOND, AND MORE SERIOUS IS THE U.S. POSITION NOT
TO COMMIT ITSELF TO MORE THAN A ONE YEAR OBLIGATION TO
IDA V. THE U.S. POSITION WAS THAT IT WOULD MAKE ONLY
WHAT IT CONSIDERED TO BE A POLITICALLY SUSTAINABLE
COMMITMENT TO IDA V. THIS POSITION IS THE RESULT OF
A POLITICAL ACCOMMODATION BETWEEN TREASURY AND THE TWO
APPROPRIATION COMMITTEES OF CONGRESS. AS PART OF THE
BARGAIN TO GET THE FY 1977 I.F.I. SUPPLEMENTAL THROUGH
CONGRESS, THE ADMINISTRATION HAS AGREED TO SUBMIT THE
IDA V LEGISLATION WITH THE CLAUSE SUBJECT TO APPROPRIA-
TION". SINCE APPROPRIATIONS ARE ON AN ANNUAL BASIS THE
U.S. COMMITMENTS TO IDA V CAN ONLY BE MADE ON AN ANNUAL
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BASIS.

4. THE ADMINISTRATION INTENDS TO REQUEST A THREE YEAR
AUTHORIZATION OF IDA V BUT ONLY COMMIT ANNUALLY TO IDA,
\$800 MILLION EACH YEAR, ON PASSAGE OF APPROPRIATIONS
LEGISLATION. THE EFFECT OF THE TREASURY'S BARGAIN WITH
THE APPROPRIATION COMMITTEES IS TO TRANSFER TO THE
APPROPRIATION COMMITTEES THE POWER TO AUTHORIZE U.S.
PARTICIPATION IN IDA. THIS SUBVERTS THE ROLE OF THE
SENATE FOREIGN RELATIONS COMMITTEE AND THE HOUSE BANKING
COMMITTEE. THE UNITED STATES MAKES NUMEROUS MULTI-YEAR
INTERNATIONAL COMMITMENTS--NATO, JAPANESE SECURITY TREATY,
BASE AGREEMENTS--THAT ARE DEPENDENT ON THE ANNUAL APPRO-
PRIATION OF FUNDS BUT NOT SUBJECT TO TERMINATION DUE TO
LACK OF ACTION BY THE APPROPRIATION COMMITTEES.

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5. TREASURY ARGUES THAT IT IS JUST FACING REALITIES.
IT WILL NOT PLACE U.S. PRESTIGE AND CREDIBILITY ON THE
LINE ABROAD WITHOUT A REALISTIC POSSIBILITY OF HAVING
THOSE COMMITMENTS MET. FURTHERMORE THE LEGISLATIVE REALITIES
OF THE FY 1977 SUPPLEMENTAL FORCED THE NEW
ADMINISTRATION TO DEAL WITH THE APPROPRIATING COMMITTEES
BEFORE DEALING WITH THE AUTHORIZING COMMITTEES. WHAT
HAS HAPPENED IS THAT TREASURY HAS RECOGNIZED THE ABDICATION
OF POWER AND RESPONSIBILITY TOWARD THE IFIS FROM THE
AUTHORIZING COMMITTEES TO THE APPROPRIATING COMMITTEES.
IT BEHOOVES THE AUTHORIZING COMMITTEES TO REGAIN THIS POWER
AND NOT RPT NOT ALLOW THIS DEFACTO CONDITION TO BE
INSTITUTIONALIZED FOR U.S. MULTI-YEAR INTERNATIONAL
AGREEMENTS. ONE LEGAL POINT RAISED BY TREASURY TO
JUSTIFY ITS POSITION IS THAT THE CONGRESSIONAL BUDGET
ACT INHIBITS LEGISLATION BEING PASSED THAT IS NOT SUBJECT
TO APPROPRIATION. THIS LEGAL INTERPRETATION AND ITS
RELATION TO MULTI-YEAR AUTHORIZATION SHOULD BE CLARIFIED
BY SFRC COUNSEL.
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6. THE U.S. INSISTANCE ON A YEAR BY YEAR COMMITMENT
TO IDA V BROUGHT CONSTERNATION TO OTHER IDA V DELEGATIONS.

THE GERMAN DELEGATION CORRECTLY POINTED OUT THAT THE U.S. POSITION DIRECTLY THREATENED THE TWO KEY PRINCIPLES OF IDA PARTICIPATION (1) A MEDIUM TERM PLANNING HORIZON AND (2) BURDEN SHARING. THE GERMANS INSISTED ON AND GOT A NUMBER OF KEY CHANGES IN IDA PARTICIPATION RULES THAT WOULD PROTECT OTHER COUNTRIES FROM A CUT OFF OF U.S. FUNDS. FIRST, IDA FUNDS WOULD BE COMMITTED ON AN ANNUAL BASIS. BEFORE ANY DISBURSEMENTS COULD BE MADE FROM IDA V 80 PERCENT OF THE PLEDGES FOR ANY GIVEN YEAR MUST BE FIRMLY COMMITTED TO THE ORGANIZATION. SINCE THE U.S. SHARE IS GREATER THAN TWENTY PERCENT, THERE WILL NOW BE NO IDA UNLESS THE U.S. APPROPRIATION IS MADE ON TIME. SECOND, A DIFFERENTIATION WILL NOW BE MADE BETWEEN QUALIFIED AND UNQUALIFIED PLEDGES TO IDA. QUALIFIED PLEDGES WILL NOT BE COUNTED IN THE IDA VOTING STRUCTURE. THE U.S. PLEDGE OF \$2.4 BILLION IS A QUALIFIED PLEDGE CONTINGENT ON APPROPRIATIONS. THEREFORE THE U.S. WILL ONLY GET VOTING CREDIT IN IDA AS IT MAKES ITS ANNUAL CONTRIBUTIONS. THE FIRST YEAR THE U.S. VOTE WILL BE CALCULATED ON A FORMULA WEIGHT ONLY BY THE ACTUAL \$800 MILLION CONTRIBUTION AND NOT THE \$2.4 BILLION QUALIFIED PLEDGE. THE SECOND YEAR THE U.S. VOTE WOULD BE CALCULATED ON \$1600 MILLION AND ONLY IN THE THIRD YEAR WOULD THE U.S. GET ITS FULL CREDIT FOR CONTRIBUTING ONE-THIRD OF THE IDA FUNDS.

7. ALMOST ALL COUNTRIES MENTIONED THAT THEIR IDA V COMMITMENTS WERE SUBJECT TO PARLIAMENTARY APPROVAL. HOWEVER IT WAS THE CONSENSUS OF THE GROUP THAT ONCE A GOVERNMENT MADE A MULTI-YEAR COMMITMENT TO IDA V IT BECAME THAT COUNTRY'S OWN INTERNAL PROBLEM HOW TO RAISE THE FUNDS TO FULFILL ITS COMMITMENTS. IN CONTRAST THE U.S. WAS MAKING ITS COMMITMENT CONTINGENT ON ITS CAPA-LIMITED OFFICIAL USE

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BILITY TO RAISE THE MONEY. MANY OTHER COUNTRIES COULD UNDERSTAND THE LOGIC OF THIS POSITION WITH A DEMOCRATIC CONGRESS AND A REPUBLICAN PRESIDENT. THEY WERE NOT VERY SYMPATHETIC GIVEN DEMOCRATIC CONTROL OF THE EXECUTIVE AND LEGISLATIVE BRANCHES.

8. THE ADMINISTRATIONS POSITION ON THE YEAR-BY-YEAR CONTRIBUTION TO IDA PLACED THE U.S. IN A VERY DEFENSIVE POSITION THROUGHOUT THE NEGOTIATIONS. THE POSITION DESTROYED THE OPTION OF PLAYING A POSITIVE LEADERSHIP ROLE IN THE NEGOTIATIONS.

9. ONE OTHER ISSUE OF IMPORTANCE WAS SETTLED. THE U.S. EXTRACTED A COMMITMENT TO HAVE THE COUNTRY ALLOCATION OF IDA FUNDS REEXAMINED. THE U.S. HOPES TO INJECT INTO

THE REEXAMINATION A NEW CRITERIA OF DEBT BURDEN WHICH WOULD HOPEFULLY ALLOW EGYPT AND POSSIBLY OTHER AFRICAN NATIONS TO GET MORE IDA V FUNDS. THESE FUNDS WOULD BE TRANSFERRED FROM THE PRESENT 40 PERCENT OF IDA FUNDS NOW EARMARKED FOR INDIA. THIS 40 PERCENT IS A MAXIMUM FIGURE NEGOTIATED FOR INDIA. UNDER PRESENT CRITERIA INDIA WOULD RECEIVE ABOUT 65 O/O OF ALL IDA FUNDS BECAUSE OF THE MASSIVE POPULATION OF THE COUNTRY AND THE EXTENT OF POVERTY AND DEPRIVATION.

10. THE U.S. POSITION IS TO MAINTAIN THE REAL VALUE OF FUNDS GOING TO INDIA BUT REDUCE THE TOTAL PERCENTAGE OF THE NEW AND LARGER IDA V COMMITTED TO INDIA. THIS EFFORT IS SEEN BY OTHER DELEGATIONS AS AN ATTEMPT TO ALINE MORE CLOSELY THE DISTRIBUTION OF IDA V TO SPECIFIC U.S. FOREIGN POLICY INTERESTS IN THE MIDDLE EAST AND AFRICA. IT IS ALSO SEEN AS AN ATTEMPT BY THE U.S. TO DEMONSTRATE TO CONGRESS THE U.S. NATIONAL INTEREST IN CONTRIBUTING TO IDA. IN BOTH CASES THE U.S. IS FURTHER POLITICIZING IDA AND THE USE OF ITS RESOURCES.SORENSEN

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